

EDUCATION AND EARNINGS

Key Findings: Canada, France, Germany, Italy, United Kingdom, United States

The earnings premium associated with higher education compared to upper secondary education for adults ages 25 to 64 is higher in the United States than in the other five G8 countries presented.

Examining earnings differentials by educational attainment gives a measure of the potential financial incentive for an individual to invest in further education. The earnings advantage or the premium of attaining higher education can be measured by the ratio of the average annual earnings of those who graduated from higher education with the average annual earnings of upper secondary graduates. In a similar way, the earnings disadvantage of not completing upper secondary education is apparent by comparison with the annual earnings of upper secondary graduates.

In 2001, adults ages 25 to 64 in the United States who completed less than upper secondary education earned, on average, 70 percent of the earnings of adults who completed upper secondary education (figure 6 and table 4). This earning disadvantage was observed in all of the other G8 countries, but was greater in the United States than in Canada, France, and Germany, while in Italy and the United Kingdom, the earnings disadvantage was larger than in the United States.

In 2001, U.S. females and males who completed less than upper secondary education earned 67 and 69 percent, respectively, of the wages of their same sex counterparts with an upper secondary degree (table 4). This was true for all the G8 countries, with the exception of Italy, where the earnings gap was smaller for females than for males.

In 2001, completers of higher education ages 25 to 64 in the United States earned, on average, 186 percent of the earnings of upper secondary graduates (figure 6 and table 4). The relative advantage of U.S. adults who completed higher education was greater than that observed for the five other countries reporting data, although in every country, on average, those who completed higher education earned more than those with only an upper secondary education.

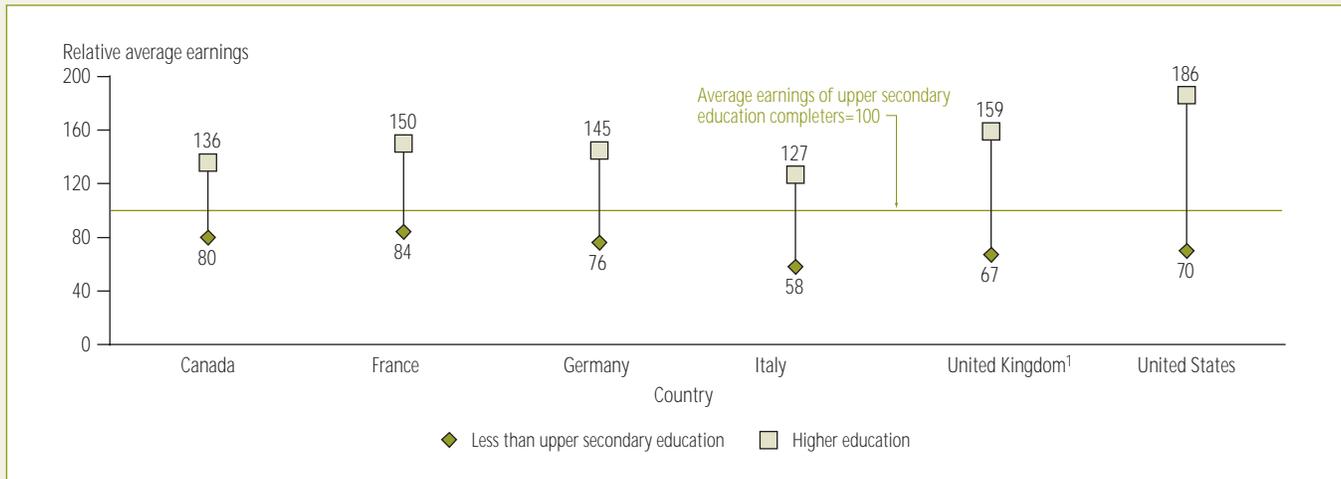
In the United States, the average earnings advantage associated with completing higher education was more pronounced, on average, for males than for females (table 4). In 2001, U.S. females earned 176 percent, and males earned 193 percent of the average earnings of their same sex counterparts with an upper secondary degree. This gap in earnings premium by sex was observed for three of the other five countries. But in Canada and the United Kingdom, the earnings premium for completing higher education was higher for females compared to males.

Definitions and Methodology

Educational levels are defined according to the International Standard Classification of Education (ISCED). Higher education refers to ISCED level 5A (academic higher education-first stage). Upper secondary refers to ISCED level 3. For a complete description of the ISCED levels, see the appendix. Data reported in 1999 for Canada and France, 2000 for Germany, 1998 for Italy, and 2001 for the United Kingdom, and the United States. Relative earnings from

employment are defined as the average earnings (income from work before taxes) of persons at a given level of educational attainment divided by the average earnings of persons with an upper secondary education multiplied by 100. These estimates are restricted to individuals with income from employment during the reference period. Earnings are annual for the six countries reporting with the exception of France, which used monthly figures.

Figure 6. Relative average earnings of adults ages 25 to 64 who completed less than upper secondary education or higher education, compared with those with an upper secondary education, by country: Various years, 1998–2001



¹ The United Kingdom includes England, Northern Ireland, Scotland, and Wales.

NOTE: Education levels are defined according to the International Standard Classification of Education (ISCED). Upper secondary refers to ISCED level 3. Higher education refers to ISCED level 5A (academic higher education—first stage). For more information on ISCED levels, see the appendix. Data reported in 1999 for Canada and France, 2000 for Germany, 1998 for Italy, and 2001 for the United Kingdom and the United States. Relative earnings percentages are derived from the indexed relative earnings values reported by the Organization for Economic Cooperation and Development.

SOURCE: Organization for Economic Cooperation and Development (OECD). (2003). *Education at a Glance: OECD Indicators 2003*, Table A.14.1.

Table 4. Relative average earnings of adults ages 25 to 64 who completed less than upper secondary education or completed higher education, compared to those with an upper secondary education by country and sex: Various years, 1998–2001

Level of education completed	Country					
	Canada	France	Germany	Italy	United Kingdom ¹	United States
Less than upper secondary education						
Total	80	84	76	58	67	70
Males	80	88	81	54	72	69
Females	70	80	74	61	70	67
Higher education						
Total	136	150	145	127	159	186
Males	138	159	143	138	147	193
Females	139	145	141	115	183	176

¹ The United Kingdom includes England, Northern Ireland, Scotland, and Wales.

NOTE: Those who completed upper secondary education have earnings set at an index value of 100. Education levels are defined according to the International Standard Classification of Education (ISCED). Upper secondary refers to ISCED level 3. Higher education refers to ISCED level 5A (academic higher education—first stage). For more information on ISCED levels, see the appendix. Data reported in 1999 for Canada and France, 2000 for Germany, 1998 for Italy, and 2001 for the United Kingdom and the United States. Relative earnings percentages are derived from the indexed relative earnings values reported by the Organization for Economic Cooperation and Development. The total is not the average for the male and female figures, but a ratio based on the relative earnings of the total population. It is affected by the distribution of males and females in the labor force at each educational attainment level.

SOURCE: Organization for Economic Cooperation and Development (OECD). (2003). *Education at a Glance: OECD Indicators 2003*, Table A.14.1.